

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2508
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

EP/EO

Employer Identification Number:

Date: MAY 01 1992

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Advers: Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of

[REDACTED]

attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,

[REDACTED]

District Director

Enclosures: 3

ENCLOSURE I

[REDACTED]

The information submitted discloses that you were incorporated as a nonprofit corporation in the State of [REDACTED] on [REDACTED]. Article II of your articles of incorporation states that your purposes are as follows:

To establish closer relations between barbers throughout the state, to develop the strength to accomplish necessary reforms, to establish ethics for the barbering profession, to increase the various phases of shop service, to promote uniform shop practices and fees, to continue the education of the barber for the good of the general public so as to command and hold public confidence, to exert an influence for good on the life of the community and to cultivate a spirit of brotherhood and good fellowship among its members.

Section III A of your bylaws states that your purposes are:

- (1) Betterment of the barbering profession
- (2) Legislative awareness
- (3) Education
- (4) Benefits
 - (a) providing group health insurance
 - (b) providing group life insurance
 - (c) providing sickness and death benefits to members.

On page 2 of your application, you state that you were formed to provide insurance benefits, legislation and education for the members in a non-profit way. You maintain an office and a clerk is paid 20 hours per week to keep records and send out mailings to the members containing a newsletter and billings each month. This includes insurance fees plus membership dues and enough to cover the clerk's wages, rent on office space, telephone, cost of printing, postage and mileage for officers. You further state that insurance is the most important function to your members. You are able to provide Blue Cross Blue Shield and Blue Care Network in a group policy. You also have a sick and accident program and death benefit for the members. You keep members information of legislation, provide education and have a scholarship foundation.

[REDACTED]

You list your sources of support as insurance premiums (largest source), membership dues, joining fees and interest income.

The financial information which you reported on page 5 of the application for exemption shows the following sources of support:

| | |
|---------------------------------------|------------|
| Gross Dues and Assessments of Members | [REDACTED] |
| Exempt Function Income | [REDACTED] |
| Investment Income | [REDACTED] |
| Other | [REDACTED] |
| Total | [REDACTED] |

You show that the \$[REDACTED] shown as exempt function income is for insurance premiums or reserves.


The financial information also shows the following expenses:

| | |
|--------------------------|------------|
| Exempt Function Expenses | [REDACTED] |
| Occupancy | [REDACTED] |
| Other | [REDACTED] |
| Total | [REDACTED] |

Of the \$[REDACTED] shown as exempt function expenses, \$[REDACTED] was for insurance premiums for members.

Section 501(c)(6) of the Code provides, for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to be benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even

 though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league.

Based on the information submitted, it is our opinion that you do not qualify for exemption under section 501(c)(6) of the Code. Your description of activities and your financial statements show that your primary activity is providing medical insurance, life insurance and other welfare benefits for members. This constitutes the performance of particular services and precludes exemption under section 501(c)(6) of the Code.